

May 10, 2004 UPDATE

Annuity Form Filings: Compliance with RCW 48.23.440 as revised effective July 1, 2004

The following outlines the basic requirements for filings where (A) the interest rate guarantee is fixed for the filing, (B) the interest rate guarantee is variable for the filing, or (C) the interest rate guarantee is to be redetermined.

A) If...the interest rate guarantee is fixed for the filing (stated in the contract without brackets),

then...either 1

- a) the actuarial memorandum must show that the interest rate guarantee complies with RCW 48.23.440 on the basis of a minimum nonforfeiture interest rate of 3%;
- b) no reference to a constant maturity Treasury rate is required;
- c) the only required nonforfeiture compliance language is the standard provision that any cash surrender values and benefits are not less than the minimum nonforfeiture values required by any statute of the state in which the contract is delivered.

...or 2

- a) The actuarial memorandum shows that the interest rate guarantee complies with RCW 48.23.440 on the basis of a minimum nonforfeiture interest rate less than 3%;
- b) the contract must state that any cash surrender values and benefits are not less than minimum nonforfeiture values calculated on the basis of a constant maturity Treasury rate for a specified time period (e.g., the 3rd month before the issue date, or June 30 preceding the issue date, or the average over 9 months ending with the 3rd month before the issue date);
- c) the description of the time period must be fixed, not bracketed;
- d) the contract is not required to state the minimum nonforfeiture interest rate;
- e) the filing must state that the contract will only be issued as long as it is in compliance on the basis of the minimum nonforfeiture interest rate

based on the constant maturity Treasury rate for the specified time period.

- B) If...the interest rate guarantee is variable for the filing (stated in the contract in brackets), but fixed for the life of the contract and not subject to redetermination,**

then...

- a) the contract must state that any cash surrender values and benefits are not less than minimum nonforfeiture values based on a stated (though bracketed) minimum nonforfeiture interest rate, which is calculated on the basis of a constant maturity Treasury rate for a specified time period;
- b) the description of the time period must be fixed, not bracketed;
- c) the filing must specify the relation between the two bracketed numbers; e.g., the guaranteed interest rate may be the minimum nonforfeiture rate plus 0.1%, or the greater of the minimum nonforfeiture rate and 2%, or the minimum nonforfeiture rate rounded up to the next 0.25%;
- d) although the company may declare a higher current interest rate, any change in the relation between the guaranteed interest rate and the minimum nonforfeiture interest rate will require refiling as a new policy form;
- e) the actuarial memorandum must demonstrate that the contract will comply with the Standard Nonforfeiture Law whenever the relation holds.

- C) If...the interest rate guarantee is to be redetermined at times specified in the contract,**

then...

- a) the contract must state that any cash surrender values and benefits are not less than minimum nonforfeiture values based on the minimum nonforfeiture interest rate, which is calculated on the basis of a constant maturity Treasury rate for a specified time period;
- b) the description of the time period should be fixed, not bracketed;
- c) the initial interest rate guarantee and the initial minimum nonforfeiture interest rate must be stated in the contract, although they will be bracketed in the filing;

- d) the contract must specify the relation between the two numbers;
- e) the actuarial memorandum must demonstrate that the contract will comply with the Standard Nonforfeiture Law whenever the relation holds.

Additional notes:

- 1) The contract fee must be specified in both the contract and in the actuarial memorandum. The contract fee may not be bracketed.